

Message Text

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C O R R E C T E D C O P Y (PARA 1.C.(5))

E.O. 11652: N/A

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SUBJECT: ECONOMIC/COMMERCIAL SUBCOMMISSION OF INDO-US
JOINT COMMISSION

1. THERE FOLLOWS A SUMMARY OF A PAPER WE HAVE PREPARED ON THE
ORGANIZATION, ROLE, AND SUBJECT MATTER FOR THE ECONOMIC/COMMER-
CIAL SUBCOMMISSION OF THE JOINT INDO-US COMMISSION:

A) ADMINISTRATIVE:

(1) WE CONCUR IN SUGGESTION THAT THE FIRST MEETING BE HELD
JAN 15-16 AND WILL URGE GOI TO AGREE. IN ADDITION TO PARTICI-
PANTS FROM WASHINGTON WE RECOMMEND AMBASSADOR OR HIS REPRESEN-
TATIVE ATTEND WITH STATUS OF A MEMBER OF SUBCOMMISSION. THE
ECONOMIC COUNSELOR SHOULD BE ABLE TO ATTEND AND PARTICIPATE
IN DISCUSSIONS. WE EXPECT THE INDIAN SIDE TO BE CHAIRED BY
SECRETARY OF COMMERCE MINISTRY Y.T. SHAH, WITH PARTICIPATION
FROM 3 OR 4 MINISTRIES AND THE PLANNING COMMISSION.

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(2) OUR FIRST GOAL SHOULD BE TO FIGURE OUT HOW TO

IMPLEMENT THE UNDERSTANDING WE HAVE WITH GOI THAT THE SUBCOMMISSION ESTABLISH A LINK WITH THE PRIVATE SECTOR IN BOTH COUNTRIES. WE ASSUME THIS MEANS A PARALLEL MEETING OR CONSTITUTION OF AN ADVISORY BOARD. THE US PRIVATE PARTICIPANTS COULD BE DRAWN FROM THE CHAMBER OF COMMERCE, NFTC, BCIE, BUSINESS INTERNATIONAL OR A COMBINATION OF ALL OF THESE. THE RELATIVELY LIMITED INTEREST BY US BUSINESS IN INDIA WOULD MEAN A DIFFERENT ROLE FOR THE BUSINESSMEN'S GROUP THAN SIMILAR GROUPS HAVE PLAYED ELSEWHERE, E.G., JAPAN. IT COULD SERVE TO IMPRESS ON THE INDIANS THAT THEY MUST WORK WITH THE US PRIVATE SECTOR AND IT COULD ACT AS A CLEARING HOUSE IN PASSING INFORMATION ON TRADE AND INVESTMENT OPPORTUNITIES, BRING FIRMS TOGETHER, ETC.

B) ISSUES WE SHOULD SUGGEST FOR AGENDA

(1) INVESTMENT: THE ROLE OF THE JOINT COMMISSIONS IN THIS FIELD

SHOULD BE PRIMARILY EDUCATIONAL, POINTING OUT THE REPUTATION THAT INDIAN INVESTMENT POLICIES HAVE INTERNATIONALLY AND CITING CASES WHERE DELAYS AND OBSTACLES PREVENTED US INVESTMENT. IT SHOULD ALSO CITE EXAMPLES OF US FIRMS FLEXIBILITY IN INVESTING ELSEWHERE FOR EXAMPLE, IN THE SOVIET UNION. THE GOI MAY WELL GIVE US AREAS IN WHICH IT WELCOMES FOREIGN INVESTMENT, ALTHOUGH WE ARE LIKELY TO LEARN THAT SPECIFIC APPROVALS WOULD STILL BE ON A CASE-BY-CASE BASIS. THE SUBCOMMISSION COULD EXPLORE AREAS FOR LIKELY CHANGES IN POLICY WHICH WOULD GIVE US NEW ENTRIES. WE MIGHT ASK FOR THE ESTABLISHMENT OF AN INDIVIDUAL OR GROUP IN THE GOI CHARGED WITH FACILITATING US INVESTMENT.

(2) DOUBLE TAXATION: BEFORE PREPARING THIS ITEM WE SHOULD CONSIDER WHETHER IT HAS SIGNIFICANT ADVANTAGES. AS SEEN FROM HERE, OUR INTEREST IN ATTEMPTING TO NEGOTIATE AN INCOME TAX CONVENTION WITH INDIA IS NOT CLEAR. WE HAVE RELATIVELY LITTLE AMERICAN TAXABLE INCOME GENERATED IN INDIA AND INDIAN TAX POLICY IS NOT DISCRIMINATORY AGAINST FOREIGN BUSINESS. THE EXCHANGE OF INFORMATION PROVISION WOULD PROBABLY BENEFIT INDIA MORE THAN US LIMITED OFFICIAL USE

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SINCE THERE ARE A LARGE NUMBER OF INDIANS WITH US SOURCE INCOME. INDIA MIGHT WELL CONSIDER A TAX CONVENTION ONLY IF IT CONTAINED SOME SWEETENER LIKE AN INVESTMENT TAX CREDIT.

(3) FCN TREATY: WHILE IT WOULD BE IN OUR INTEREST TO HAVE A TCN TREATY HERE AS WITH PAKISTAN, IT IS HIGHLY UNLIKELY THAT THE GOI WOULD ACCEPT. HOWEVER, IT MIGHT BE WORTHWHILE TO RAISE THE SUBJECT TO SEE WHAT WE CAN GET.

(4) TRADE EXPANSION: BOTH SIDES ARE LIKELY TO RAISE THIS, BUT FROM SOMEHOW DIFFERENT ANGLES, FOR US, IT MEANS COOPERATION AND INFORMATION EXCHANGES ON MULTILATERAL TRADE MATTERS, SOLUTION OF BILATERAL TRADE PROBLEMS, AND DISCUSSION OF CERTAIN NEW FORMS OF TRADING ARRANGEMENTS. THE INDIANS ARE LIKELY TO PLACE MORE STRESS ON OUR ASSISTING THEM TO EXPORT TO THE US. DISCUSSION OF THE BROAD FIRST CATEGORY ABOVE--MULTI-LATERAL--COULD BE HIGHLY USEFUL SINCE INDIA PLAYS AN ACTIVE AND VERBAL ROLE IN SUCH FORUMS AS GATT, UNCTAD, AND COMMODITY PRICING CONFERENCES. CERTAINLY DIFFERENCES WILL NOT BE IMMEDIATELY RESOLVED, BUT BETTER PERSONAL ACQUAINTANCES MIGHT HAVE BENEFICIAL EFFECTS. WE HAVE NO UNIQUE BILATERAL TRADE PROBLEMS WITH INDIA. OUR PROBLEMS ARE THOSE OF ALL EXPORTERS IN THE FACE OF INDIA'S RESTRICTIVE AND CUMBERSOME IMPORT LICENSING SYSTEM, ESPECIALLY WHEN FREE FOREIGN EXCHANGE IS INVOLVED. SOME OTHER SUPPLIERS HAVE AN EDGE FROM BETTER COMMERCIAL CREDIT, TIES, AID, AND IN THE CASE OF EASTERN EUROPE, THE EXISTENCE OF THE RUPEE-RUBLE ZONE. WE SHOULD STRESS THE FLEXIBILITY OF POTENTIAL US SUPPLIERS AND THE RANGE OF GOODS READILY AVAILABLE FROM THE US. ALTHOUGH THE INDIAN SIDE IS LIKELY TO ASK FOR USG ASSISTANCE IN INCREASING THE INDIAN EXPORTS TO US, WE DON'T EXPECT THESE TO TAKE THE FORM OF PREFERENTIAL MARKET ACCESS, FINANCING HELP, GOVERNMENT PURCHASES, ETC. RATHER THE INDIANS ARE LIKELY TO SEEK US HELP IN MARKET RESEARCH INFORMATION, AND ADVICE ON PACKAGING, STANDARDS, ETC.

C. ISSUES INDIANS ARE LIKELY TO PUT ON AGENDA:

(1) BUSINESSMEN'S DELEGATION VISIT TO INDIA: IT HAS BECOME PART OF THE FOLKLORE OF NEW DELHI THAT AN AMERICAN BUSINESS DELEGATION WILL IMMINENTLY VISIT AND THIS WILL LEAD TO US UNDERSTANDING OF INDIAN ECONOMIC POLICY AND/OR A CHANGE IN INDIAN GOVERNMENT POLICY WHICH WILL BETTER PERMIT FOREIGN COLLABORATION. HIGH EXPECTATIONS FROM THIS VISIT ARE SHARED BY INDIAN BUSINESSMEN LIMITED OFFICIAL USE

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AND OFFICIALS ALIKE. ACTUALLY, SUCH A VISIT MIGHT HAVE PRECISELY THE OPPOSITE EFFECT AND SHOW HOW NON-CONGRUENT THINKING REALLY IS.

(2) TECHNOLOGY TRANSFERS: EITHER OF US COULD RAISE THIS, BUT IT WOULD BE BETTER IF THE INDIANS DID SO. THEY SEEK USG ASSISTANCE IN PROVIDING TECHNOLOGY ON AN AID AND CASH PURCHASE BASIS. WE CAN LISTEN AND COUNTER THAT THE BEST SOURCE FOR US TECHNOLOGY IS FROM PRIVATE INVESTMENT, AND SAY THAT WE CAN TRY TO BRING SPECIFIC REQUEST TO THE ATTENTION OF THE US PRIVATE SECTOR OR WORK ON A GOVERNMENT-TO-GOVERNMENT BASIS WITHIN THE FRAMEWORK OF SCIENCE AND TECHNOLOGY SUBCOMMISSION.

(3) THIRD COUNTRY INVESTMENT: THE INDIANS HAVE ADVANCED THE IDEA THAT THE US AND INDIA COLLABORAGE ON INDIAN INVESTMENT

PROJECTS IN THIS COUNTRIES. THERE ARE GOOD POSSIBILITIES. US BUSINESS CAN PROVIDE CERTAIN TECHNOLOGY, MANAGERIAL TALENT , AND PRESTIGE IN JOINT PROJECTS WITH INDIANS IN SUCH AREAS AS HEAVY CONSTRUCTION (E.G., AIRPORTS), AND INDUSTRIAL PROJECTS. WE CAN LISTEN TO WHAT THE GOI HAS TO OFFER AND LOOK FOR OPPORTUNITES FOR INDIAN FIRMS TO DO SUB-CONTRACTING OR OTHER SPECIFIC JOBS.

(4) PURCHASES FROM US OF SHORT SUPPLY ITEMS: THE INDIANS CAN BE EXPECTED TO RAISE THEIR PROBLEMS IN PURCHASING SUCH SHORT SUPPLY ITEMS AS CERTAIN CHEMICALS, WOOD PULP, FERTILIZER, OIL RIGS ETC. WE DON'T KNOW QUITE WHAT THE SUBCOMMISSION CAN DO IN THIS AREA EXCEPT EXPAND MUTUAL UNDERSTANDING OF EACH OTHER'S PROBLEMS.

(5) SPECIFIC TRADE PROBLEMS: THE INDIANS HAVE NO MAJOR BILATERAL GRIPES, BUT THEY MIGHT RAISE SOME MINOR ISSUES, E.G., GSA DISPOSALS OF MICA, US COTTON TEXTILE QUOTAS, US HEALTH RESTRICTIONS ON FROM LEGS AND OTHER FOODS, THE US TARIFF QUOTEAS ON STAINLESS STEEL FLATWARE AND EXCEPTIONS UNDER GSP. AGAIN, THE SUBCOMMISSION CAN HELP IN ESTABLISHING BETTER MUTUAL UNDERSTANDING.

2. WE ARE POUCH THE TEXT OF THE PAPER.
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